LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6572 **NOTE PREPARED:** Feb 21, 2011
BILL NUMBER: SB 552 **BILL AMENDED:** Feb 17, 2011

SUBJECT: Pulse Oximetry Screening of Newborns.

FIRST AUTHOR: Sen. Waltz **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
X **FEDERAL**

Summary of Legislation: (Amended) This bill requires that, beginning January 1, 2012, infants must be given a pulse oximetry screening examination to detect for low oxygen levels.

The bill requires the Indiana State Department of Health (ISDH) to: (1) develop procedures and protocols for the testing; and (2) report to the Legislative Council not later than October 31, 2011, certain information concerning pulse oximetry screening of newborns.

Effective Date: July 1, 2011.

Explanation of State Expenditures: (Revised) *Summary:* The fiscal impact of this bill is indeterminate. There may be potential impacts on state costs associated with the state employee health benefit plans and the Newborn Screening Program. The bill adds pulse oximetry screening to the tests required under the Newborn Screening Program. The screening would be used to detect congenital cardiovascular malformation in asymptomatic newborns.

(Revised) *Newborn Screening Program:* This bill would add another screening test and condition that the State Department of Health's Newborn Screening Program would track. The Newborn Screening Program tracks all babies to ensure they receive the required screening exams and are appropriately referred for diagnosis and treatment or management. Cost to the program to add the additional screening exam (and excluding the followup diagnosis, management, family counseling, and family support components of the program as excluded by the bill) has been estimated by the ISDH to cost an additional $210,400.

(Revised) The bill requires the ISDH to implement the pulse oximetry screening program effective January 1, 2012, and develop the procedures and protocols for the implementation of the screening. In addition, the ISDH is required to report the costs of implementing the screening to the Legislative Council no later than October 31, 2011. The ISDH is further to report on any potential funding source for the screening and the procedures and protocols developed.

(Revised) *Medicaid Program:* The Office of Medicaid Policy and Planning has reported that the fiscal impact of this bill is expected to be minimal as the cost of the test should be already covered within the DRG (diagnosis-related group) payments if the screening occurs within the hospital setting. Currently, Medicaid provides the reimbursement for approximately 50% of all births in the state. The cost of this provision would depend on the extent to which newborns may already be routinely tested and if the cost of the testing and any subsequent additional testing is already factored into hospital reimbursement rates. The extent to which hospitals currently include pulse oximetry as a routine vital sign in newborn nurseries is unknown. Any increased testing that would occur under the Medicaid Risk-Based Managed Care (RBMC) program would have no short-term impact on the state. However, any increased cost that may be related to false positive results would be passed through to the state in higher capitation rates in the future.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 34% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 66%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%. Federal ARRA enhanced Medicaid stimulus funding will be available to the state until June 30, 2011.

Employee Health Plans: This bill mandating coverage of pulse oximetry screening for infants may also impact costs faced by the health care plans providing coverage to state employees. The increased costs may be reflected in increased premiums and enrollment fees charged by the plans. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits. The state currently pays about 95% of aggregate employee health plan costs.

(Revised) *Background Information:* Asymptomatic infants testing positive would be subject to additional testing, most probably echocardiograms and potentially longer inpatient stays. The reimbursement for a newborn echocardiogram appears on average to cost approximately $100. However, there are no data to reliably estimate the number of false positives that might occur within the program or the cost of the technology that may be used to establish a diagnosis.

Explanation of State Revenues: (Revised*) Newborn Screening Program:* The bill provides that funds from the Newborn Screening Program may not be used to carry out the pulse oximetry screening program.

Explanation of Local Expenditures: *Employee Health Plans:* Similar to the state, mandated coverage of pulse oximetry screening examinations for infants may increase costs to some insurance plans purchased by local governments and school corporations in the provision of health benefits to their employees. Increased premiums and enrollment fees, however, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government and school corporations would differ by local unit and the particular benefit plan provided to employees.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning; State Department of Health; potentially all agencies.

Local Agencies Affected: Local governments; School corporations.

Information Sources: ISDH; OMPP; and "Effectiveness of Pulse Oximetry Screening for Congenital Heart Disease in Asymptomaice Newborns", Robert Koppel, MD, Charlotte M. Druschel, MD, MPH, Tonia Carter, MS, Barry E. Goldberg, MD, Prabhu N. Mehta, MD, Rohit Talwar, MD, Fredrick Z. Bierman, MD, in Pediatrics, Vol. 111, No. 3, March 2003, pp. 451-455. http://pediatrics.aappublications.org/cgi/content/full/111/3/451

Fiscal Analyst: Kathy Norris, 317-234-1360.